

FINANCIAL SERVICES COMPENSATION SCHEME

TERMS OF REFERENCE

FINANCE COMMITTEE

Membership and attendance

1. The Finance Committee (“FC”) shall consist of at least three independent non-executive directors, one of whom shall act as Chair and one of whom shall act as Vice Chair. The Board shall appoint members of the Committee, the Committee Chair and the Committee Vice Chair, on the recommendation of the Nomination and Governance Committee. At least one member shall be a person with recent and relevant financial experience.

Role and Duties

2. The FC’s role is to assist the Board in fulfilling its oversight responsibilities. As a Committee of the Board, the FC Committee reports to the Board. Any disputes between the Board and the Committee must be resolved at Board level. The FC’s primary function is to scrutinise FSCS’s budget, financial plans, operational and delivery performance, having regard to, but not limited to, impact, quality, value for money, productivity, fulfilling the statutory objectives that have been set for FSCS, and from time to time items allocated to it by the Board.
3. The Committee will review functions in respect of FSCS’s financial and delivery performance in the following areas, including (but not limited to):
 - (a) reviewing the quarterly financial and operations report (the appendix of the current CEO report);
 - (b) regularly reviewing the Recoveries performance;
 - (c) reviewing the pursuit of recovery actions or other litigation, or the defence of judicial review or other challenges, in circumstances where costs are anticipated to exceed £1 million or where there are significant reputational issues, for recommendation to the Board;
 - (d) reviewing individual contracts or programmes of contracts in the ordinary course of business valued at over £2 million (including VAT) or bank borrowings over £5 million (including the Revolving Credit Facility), for recommendation to the Board;
 - (e) reviewing any other expenditure in the ordinary course of business, within the budget, of over £2 million (including VAT), for recommendation to the Board;

- (f) reviewing any other expenditure not in the ordinary course of business, or not within the budget, of over £1 million (including VAT), for recommendation to the Board;
- (g) reviewing the annual levy and compensation forecasting, for recommendation to the Board;
- (h) reviewing the annual budget preparation;
- (i) reviewing any lessons learned from major change programmes, and which are to be presented to the Board at the next Board meeting;
- (j) providing support to the Audit and Risk Assurance Committee as appropriate;
- (k) reviewing the Performance Dashboard at least annually; and
- (l) making any other recommendation to the Board it considers appropriate within the terms of the Committee's remit.

Authority

- 4. The Committee is authorised by the Board to:
 - (a) carry out its review and recommendation-making functions within its terms of reference;
 - (b) seek any information it requires from any employee or Board member of the company in order to perform its duties; and
 - (c) obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.
- 5. The Committee may investigate any activity, seek information and obtain for itself outside legal or independent professional advice.

Meetings

- 6. The Committee shall meet at least four times a year, on a date before Board meetings, so as to effectively give recommendations to the Board, the dates of meetings being notified by the Company Secretary with 6 to 12 months' notice.
- 7. The Company Secretary, or their nominee, shall act as the secretary of the Committee, and shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to Committee members for approval, and presented to the Board at the next Board meeting.
- 8. Three members must be present for the Committee to be quorate.

9. Any non-executive director has the right to attend, and the Chief Executive and Chief Financial Officers will normally attend, any meeting of the FC.

Reporting Responsibilities

10. The Committee Chair or the Vice Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. Minutes of Committee meetings shall be circulated to all members of the Board, unless a conflict of interest exists, where that conflict may be redacted.
11. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.
12. A report on the Committee's activities shall be produced for inclusion in FSCS's Annual Report.

Other

13. The Committee or the Board (as agreed from time to time) should evaluate the performance of the Committee on an annual basis.
14. The Committee should review and update its terms of reference at least once annually and receive approval of changes from the Board.

(Approved 15 April 2025)